

VILLAGE OF COLLINSTON, LOUISIANA

FINANCIAL REPORT

December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

10/19/05

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Honorable James Fontenot, Mayor,
and Members of the Board of Aldermen
Village of Collinston, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Village of Collinston, Louisiana (the "Village"), as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. Management's discussion and analysis and the budgetary comparison schedule, presented as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the required supplementary information and express no opinion on it. The other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

s\HILL, INZINA & CO.

August 30, 2005

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

VILLAGE OF COLLINSTON, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

As management of Village of Collinston, Louisiana (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended December 31, 2004. This discussion and analysis of management is designed to provide an objective and easy to read analysis of the Village's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Village's finances. It is also intended to provide readers with an analysis of the Village's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Village. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the supplementary information that are provided in addition to this discussion and analysis of management.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The Village's basic financial statements consist of the following components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to financial statements.

In addition to the basic financial statements, the Village also includes in a subsequent section of this report additional information to supplement the basic financial statements.

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies, with the elimination of internal activities. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or weakening. Evaluation of the overall economic health of the Village would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the Village's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the citizenry of the Village.

The government-wide financial statements report governmental activities of the Village that are principally supported by taxes and intergovernmental revenues. Governmental activities include general government, public safety, and debt service.

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village as a whole with major funds being separately reported.

The Village has two fund types:

1. Governmental funds are reported in the fund financial statements and encompasses essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.
2. The proprietary fund is reported in the fund financial statements and generally reports services for which the Village charges customers a fee. The fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Village. Proprietary fund financial statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

As the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. A reconciliation from both the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances to the government-wide statements is provided to assist in understanding the differences between these two perspectives.

3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the financial statements.

Government-Wide Financial Analysis

The following provides a summary of the net assets (in thousands of dollars) of the Village as of December 31:

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 91	\$ 77	\$ 78	\$ 95	\$ 169	\$ 172
Capital assets	<u>83</u>	<u>79</u>	<u>1,290</u>	<u>1,125</u>	<u>1,373</u>	<u>1,204</u>
Total assets	\$ 174	\$ 156	\$ 1,368	\$ 1,220	\$ 1,542	\$ 1,376
Long-term debt outstanding	\$ 24	\$ 26	\$ 454	\$ 462	\$ 478	\$ 488
Other liabilities	<u>23</u>	<u>27</u>	<u>17</u>	<u>29</u>	<u>40</u>	<u>56</u>
Total liabilities	\$ 47	\$ 53	\$ 471	\$ 491	\$ 518	\$ 544
Net assets:						
Invested in capital assets, net of related debt	\$ 83	\$ 79	\$ 836	\$ 662	\$ 919	\$ 741
Restricted for debt service	4	8	57	51	61	59
Unrestricted	<u>40</u>	<u>16</u>	<u>4</u>	<u>16</u>	<u>44</u>	<u>32</u>
Total net assets	\$ 127	\$ 103	\$ 897	\$ 729	\$ 1,024	\$ 832

As noted earlier, net assets may serve over time as a useful indicator of the Village's financial position. The Village will use the unrestricted net assets to meet the ongoing obligations to users of its services and creditors.

By far the largest portion of the Village's net assets as of December 31, 2004 (89.7%) reflects the Village's investment in capital assets (infrastructure, buildings, improvements, machinery and equipment, and land) less any related debt used to acquire these assets that remains outstanding. The Villages uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, as the capital assets themselves cannot be used to liquidate the debt.

An additional portion of the Village's net assets represents resources that are subject to external restrictions as to how they may be used. The remaining balance of unrestricted net assets may be used to meet the Village's ongoing obligations to citizens and creditors.

As of December 31, 2004, the Village was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following summarizes the Village's net asset changes (in thousands of dollars) between the two years ended December 31, 2004 and 2003:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:						
Program revenues:						
Charges for services	\$ 17	\$ 8	\$ 108	\$ 105	\$ 125	\$ 113
Operating grants and contributions	4	-	-	-	4	-
Capital grants and contributions	219	34	14	44	233	78
General revenues:						
Ad valorem taxes	17	16	-	-	17	16
Franchise taxes	5	5	-	-	5	5
Sales taxes	50	31	-	-	50	31
Occupational licenses	19	14	-	-	19	14
Intergovernmental	1	3	-	-	1	3
Interest and miscellaneous	1	1	4	1	5	2
Total revenues	<u>\$ 333</u>	<u>\$ 112</u>	<u>\$ 126</u>	<u>\$ 150</u>	<u>\$ 459</u>	<u>\$ 262</u>
Expenses:						
General government	\$ 53	\$ 50	\$ -	\$ -	\$ 53	\$ 50
Public safety	35	26	-	-	35	26
Interest on long-term debt	1	1	-	-	1	1
Depreciation	14	14	-	-	14	14
Water and sewer	-	-	165	184	165	184
Total expenses	<u>\$ 103</u>	<u>\$ 91</u>	<u>\$ 165</u>	<u>\$ 184</u>	<u>\$ 268</u>	<u>\$ 275</u>
Excess (deficiency) before special item and transfers	\$ 230	\$ 21	\$ (39)	\$ (34)	\$ 191	\$ (13)
Special item	(203)	-	203	-	-	-
Transfers	<u>(3)</u>	<u>4</u>	<u>3</u>	<u>(4)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 24</u>	<u>\$ 25</u>	<u>\$ 167</u>	<u>\$ (38)</u>	<u>\$ 191</u>	<u>\$ (13)</u>

The Village's total revenues increased by \$197,000 while the total cost of all programs and services decreased by \$7,000. The majority of the revenue increase was attributable to the receipt of more capital grants and contributions. 61.6% of the total current year's expenses related to the provision of water and sewer services.

General revenues are those available for the Village to pay for the governmental activities. For the year ended December 31, 2004, sales taxes were the largest general revenue source for the Village and occupational licenses were second with both revenue sources increasing in amount from the previous fiscal year.

Property taxes were the third largest general revenue source for the Village. For the year ended December 31, 2004, taxes of 17.52 mills were levied on property within the Village's limits. The Village's taxable assessed valuation increased \$43,970 from \$930,730 to \$974,700 while mills levied slightly decreased from 18.56.

Program revenues derive directly from the program itself or from parties outside the Village's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the Village's general revenues.

Business-Type Activities

The business-type activities of the Village are the water and sewer services that the Village charges fees to customers to help cover all or most of the costs of providing the services. Operating revenues for the year ended December 31, 2004 of \$111,912 increased by \$6,937 from \$104,975 of the previous year. Operating expenses of \$146,007 for the year ended December 31, 2004 decreased from the previous year's total of \$162,842 by \$16,835. Expenses for repairs and maintenance decreased \$11,807 while salary related expenses decreased \$11,800.

Financial Analysis of Governmental Funds

As of December 31, 2004, the Village's governmental funds reported combined ending fund balances of \$68,206, an increase of \$17,636 from \$50,570 as of December 31, 2003. The largest increase resulted from the General Fund having an increase in fund balance of \$10,251 for the year ended December 31, 2004 while having a decrease in fund balance of \$4,948 for the year ended December 31, 2003. The percentages of reserved and unreserved fund balances to the total fund balances remain relatively the same from December 31, 2003 to December 31, 2004.

General Fund Budgetary Highlights

The Village made no amendments to its 2004 budget resulting in actual expenditures and other financing uses of \$108,071 exceeding budgeted amounts of \$73,670 by \$34,401, or 46.7%. The excess expenditures over budgeted amounts were largely made for public safety and capital outlay.

Capital Assets and Debt Administration

The Village's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of December 31, 2004 was \$919,006 compared to \$740,867 as of December 31, 2003. This investment in capital assets includes infrastructure, buildings, improvements, machinery and equipment, and land. The majority increase in the Village's investment in capital assets for the year ended December 31, 2004 was \$203,979 expended in the Capital Projects Fund for sewer improvements and fire protection. Funding sources for the projects were provided through capital grants. Upon completion of the projects, the capital assets were transferred to the General and Proprietary Water and Sewer Funds.

As of December 31, 2004, the Village had total bonded debt outstanding of \$477,930. Of this amount, \$24,000 is debt payable solely from and secured by the levying of an ad valorem tax. The remaining debt is payable by liens on and pledges of the Village's water and sewer revenues. The Village's total debt decreased \$10,038 during the year ended December 31, 2004 with all debt obligations being timely met.

Economic Factors and Next Year's Budget

As the Village foresees an increase in operations for the next fiscal year, a budget for the General Fund of \$91,952 revenues and \$87,993 expenditures was adopted. The adopted 2005 budget included no available fund balance while \$26,243 was actually available as of December 31, 2004.

Request for Information

This financial report is designed to provide a general overview of the Village's finances for all of those with an interest in such. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Village of Collinston, Louisiana, P.O. Box 148, Collinston, Louisiana 71229-0148.

BASIC FINANCIAL STATEMENTS

VILLAGE OF COLLINSTON, LOUISIANA

STATEMENT OF NET ASSETS

December 31, 2004

ASSETS	Governmental Activities	Business-Type Activities	Totals
Cash	\$ 17,526	\$ 23,620	\$ 41,146
Certificate of deposit	5,000	-	5,000
Receivables:			
Taxes	13,328	-	13,328
Accounts	-	12,882	12,882
Due from other governments	3,150	-	3,150
Internal balances	24,100	(24,100)	-
Restricted assets:			
Cash	21,457	65,388	86,845
Taxes receivable	6,582	-	6,582
Capital assets:			
Land	3,650	5,500	9,150
Other capital assets, net of depreciation	<u>79,686</u>	<u>1,284,100</u>	<u>1,363,786</u>
Total assets	<u>\$ 174,479</u>	<u>\$ 1,367,390</u>	<u>\$ 1,541,869</u>
LIABILITIES			
Accounts payable	\$ 5,101	\$ 1,788	\$ 6,889
Accrued expenses	759	353	1,112
Deferred revenue	17,077	6,688	23,765
Payable from restricted assets:			
Customers' deposits	-	7,763	7,763
Long-term liabilities - due within one year	2,000	8,603	10,603
Long-term liabilities - due within more than one year	<u>22,000</u>	<u>445,327</u>	<u>467,327</u>
Total liabilities	<u>\$ 46,937</u>	<u>\$ 470,522</u>	<u>\$ 517,459</u>

(continued)

VILLAGE OF COLLINSTON, LOUISIANA

STATEMENT OF NET ASSETS (Continued)
December 31, 2004

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Totals</u>
Invested in capital assets, net of related debt	\$ 83,336	\$ 835,670	\$ 919,006
Restricted for debt service	4,039	57,314	83,353
Unrestricted	<u>40,167</u>	<u>3,884</u>	<u>22,051</u>
Total net assets	<u>\$ 127,542</u>	<u>\$ 896,868</u>	<u>\$ 1,024,410</u>
 Total liabilities and net assets	 <u>\$ 174,479</u>	 <u>\$ 1,367,390</u>	 <u>\$ 1,541,869</u>

See notes to financial statements.

VILLAGE OF COLLINSTON, LOUISIANA

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

Functions/Programs:	<u>Expenses</u>	Charges for <u>Services</u>	<u>Program Revenues</u>	
			Operating Grants and <u>Contributions</u>	Capital Grants and <u>Contributions</u>
Governmental activities:				
General government	\$ 52,550	\$ 5,500	\$ -	\$ 218,928
Public safety	35,196	11,255	3,800	-
Interest	1,300	-	-	-
Depreciation	<u>14,255</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	\$ 103,301	\$ 16,755	\$ 3,800	\$ 218,928
Business-type activities:				
Water and sewer	<u>165,359</u>	<u>108,634</u>	<u>-</u>	<u>14,536</u>
Total government	<u>\$ 268,660</u>	<u>\$ 125,389</u>	<u>\$ 3,800</u>	<u>\$ 233,464</u>

General revenues:

Taxes:

Property taxes levied for general purposes

Property taxes levied for debt service

Franchise taxes

Sales taxes

Occupational licenses

Intergovernmental

Unrestricted investment earnings

Miscellaneous

Special item - assets acquired with grant
proceeds transferred

Transfers in (out)

Total general revenues, special item,
and transfers

Changes in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ 171,878		\$ 171,878
(20,141)		(20,141)
(1,300)		(1,300)
(14,255)		(14,255)
<u>\$ 136,182</u>		<u>\$ 136,182</u>
	<u>\$ (42,189)</u>	<u>(42,189)</u>
		<u>\$ 93,993</u>
\$ 6,903	\$ -	\$ 6,903
10,452	-	10,452
5,181	-	5,181
50,248	-	50,248
18,921	-	18,921
909	-	909
461	523	984
429	3,278	3,707
(203,097)	203,097	-
<u>(2,676)</u>	<u>2,676</u>	<u>-</u>
<u>\$ (112,269)</u>	<u>\$ 209,574</u>	<u>\$ 97,305</u>
\$ 23,913	\$ 167,385	\$ 191,298
<u>103,629</u>	<u>729,483</u>	<u>833,112</u>
<u>\$ 127,542</u>	<u>\$ 896,868</u>	<u>\$ 1,024,410</u>

VILLAGE OF COLLINSTON, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2004

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Sewer Construction Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 17,526	\$ 21,457	\$ -	\$ 38,983
Certificate of deposit	5,000	-	-	5,000
Taxes receivable	13,328	6,582		19,910
Due from other funds	-	24,100	-	24,100
Due from other governments	<u>-</u>	<u>-</u>	<u>3,150</u>	<u>3,150</u>
 Total assets	 <u>\$ 35,854</u>	 <u>\$ 52,139</u>	 <u>\$ 3,150</u>	 <u>\$ 91,143</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,951	\$ -	\$ 3,150	\$ 5,101
Accrued expenses	759	-	-	759
Deferred revenue	<u>6,901</u>	<u>10,176</u>	<u>-</u>	<u>17,077</u>
Total liabilities	<u>\$ 9,611</u>	<u>\$ 10,176</u>	<u>\$ 3,150</u>	<u>\$ 22,937</u>
 Fund balances:				
Reserved for debt service	\$ -	\$ 41,963	\$ -	\$ 41,963
Unreserved and undesignated	<u>26,243</u>	<u>-</u>	<u>-</u>	<u>26,243</u>
Total fund balances	<u>\$ 26,243</u>	<u>\$ 41,963</u>	<u>\$ -</u>	<u>\$ 68,206</u>
 Total liabilities and fund balances	 <u>\$ 35,854</u>	 <u>\$ 52,139</u>	 <u>\$ 3,150</u>	 <u>\$ 91,143</u>

See notes to financial statements.

VILLAGE OF COLLINSTON, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	General Fund	Debt Service Fund	Sewer Construction Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 62,332	\$ 10,452	\$ -	\$ 72,784
Licenses and permits	18,921	-	-	18,921
Intergovernmental	19,658	-	203,979	223,637
Fines and forfeitures	11,255	-	-	11,255
Charges for services	5,500	-	-	5,500
Interest and miscellaneous	656	234	-	890
	<u>\$ 118,322</u>	<u>\$ 10,686</u>	<u>\$ 203,979</u>	<u>\$ 332,987</u>
Expenditures:				
Current:				
General government	\$ 52,550	\$ -	\$ -	\$ 52,550
Public safety	35,196	-	-	35,196
Debt service:				
Principal retirement	-	2,000	-	2,000
Interest	-	1,300	-	1,300
Capital outlay	17,649	-	203,979	221,628
	<u>\$ 105,395</u>	<u>\$ 3,300</u>	<u>\$ 203,979</u>	<u>\$ 312,674</u>
Excess (deficiency) of revenues over expenditures	\$ 12,927	\$ 7,386	\$ -	\$ 20,313
Other financing sources (uses):				
Operating transfers in (out)	(2,676)	-	-	(2,676)
Net change in fund balances	\$ 10,251	\$ 7,386	\$ -	\$ 17,637
Fund balances - beginning	15,992	34,577	-	50,569
Fund balances - ending	<u>\$ 26,243</u>	<u>\$ 41,963</u>	<u>\$ -</u>	<u>\$ 68,206</u>

See notes to financial statements.

VILLAGE OF COLLINSTON, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2004

Total fund balances - governmental funds balance sheet	\$ 68,206
Amounts reported for governmental activities in statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	83,336
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(24,000)</u>
Total net assets of governmental activities - government-wide statement of net assets	<u>\$ 127,542</u>

VILLAGE OF COLLINSTON, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

December 31, 2004

Net change in fund balances - governmental funds \$ 17,637

Amounts reported for governmental activities in statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount by which
capital outlay exceeded depreciation expense in the current period. 207,373

Governmental funds report assets acquired with grant proceeds and
subsequently transferred to business-type activities as capital outlay
expenditures. However, in the statement of activities, the cost of the
capital assets transferred are reported as a special item. (203,097)

obligations as an expense when actually paid. However, in the statement of
activities, principal payments are reported as reductions of the related debt.
This is the amount related to these reporting differences. 2,000

Change in net assets of governmental activities - government-wide
statement of activities \$ 23,913

VILLAGE OF COLLINSTON, LOUISIANA

STATEMENT OF NET ASSETS - PROPRIETARY FUND - WATER AND SEWER FUND
December 31, 2004

ASSETS

Current assets:	
Cash	\$ 23,620
Accounts	12,882
Noncurrent assets:	
Restricted cash	65,388
Capital assets:	
Land	5,500
Other capital assets, net of depreciation	<u>1,284,100</u>
Total assets	<u>\$ 1,391,490</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 1,788
Accrued expenses	353
Deferred revenue	6,688
Due to other funds	24,100
Payable from restricted cash:	
Customers' deposits	7,763
Revenue bonds and note payable - current	8,603
Long-term liabilities:	
Revenue bonds and note payable - net of current portion	<u>445,327</u>
Total liabilities	<u>\$ 494,622</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 835,670
Restricted for debt service	57,314
Unrestricted	<u>3,884</u>
Total net assets	<u>\$ 896,868</u>
Total liabilities and net assets	<u>\$ 1,391,490</u>

See notes to financial statements.

VILLAGE OF COLLINSTON, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - PROPRIETARY FUND - WATER AND SEWER FUND
For the Year Ended December 31, 2004

Operating revenues:	
Water and sewer fees	\$ 108,634
Miscellaneous	<u>3,278</u>
	<u>\$ 111,912</u>
Expenses:	
Contract labor	\$ 11,641
Depreciation	53,860
Dues and subscriptions	1,289
Insurance	4,653
Legal and accounting	8,621
Office and postage	2,605
Rent	531
Repairs and maintenance	13,184
Salaries and payroll taxes	36,356
Supplies	4,286
Telephone	573
Travel and meetings	739
Utilities	<u>7,669</u>
	<u>\$ 146,007</u>
Operating income (loss)	<u>\$ (34,095)</u>
Nonoperating revenues (expenses):	
Grants	14,536
Interest revenue	523
Interest expense	<u>(19,352)</u>
Income (loss) before contributions and operating transfers	<u>\$ (38,388)</u>
Capital contributions	203,097
Operating transfers in	<u>2,676</u>
Change in net assets	<u>\$ 167,385</u>
Net assets - beginning	<u>729,483</u>
Net assets - ending	<u><u>\$ 896,868</u></u>

See notes to financial statements.

VILLAGE OF COLLINSTON, LOUISIANA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - WATER AND SEWER FUND
For the Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 111,911
Payments to suppliers	(50,023)
Payments to employees	(33,408)
Other	(2,747)
Net cash flows provided by operating activities	<u>\$ 25,733</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest revenue	<u>\$ 523</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES

Grant proceeds	\$ 14,536
Repayment of revenue bonds and note payable	(8,037)
Interest paid on revenue bonds and note payable	(19,352)
Purchase of assets	(14,536)
Net cash flows provided (used) by capital and related financing activities	<u>\$(27,389)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfers in	<u>\$ 2,676</u>
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Net increase in cash	\$ 1,543
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CASH - beginning	<u>87,465</u>
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CASH - ending	<u><u>\$ 89,008</u></u>
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(continued)

VILLAGE OF COLLINSTON, LOUISIANA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - WATER AND SEWER FUND (Continued)
For the Year Ended December 31, 2004

Reconciliation of operating income (loss) to net cash flows
provided by operating activities:

Operating income (loss)	\$(34,095)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	53,860
(Increase) decrease in accounts receivable	(3,809)
Increase (decrease) in accounts payable	(8,713)
Increase (decrease) in accrued expenses	(276)
Increase (decrease) in due to other funds	21,700
Increase (decrease) in liabilities payable from restricted assets	<u>(2,934)</u>
Net cash flows provided by operating activities	<u>\$ 25,733</u>

Noncash capital financing activities:

Capital assets costing \$203,097 were acquired through transfers from
the Capital Projects Fund.

See notes to financial statements.

VILLAGE OF COLLINSTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

As of and For the Year Ended December 31, 2004

Note 1. Organization and Summary of Significant Accounting Policies

Village of Collinston, Louisiana, (the "Village") operates under a mayor-board of aldermen form of government in accordance with the provisions of the Lawrason Act. Citizens elect the mayor (at large) and three council members (by districts) who are each compensated. The Village is located in northeast Louisiana, its population is approximately 375, and it employs three full-time people. As of December 31, 2004, the Village services approximately 240 utility customers and maintains approximately three miles of streets.

The Village provides general government, public safety (police), public works (streets), sanitation, and public improvement services.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, as it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the municipality to impose its will on that organization and/or
 - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

NOTES TO FINANCIAL STATEMENTS

Based on the criteria, the Village has determined that Sewer District No. 1 of Village of Collinston, Louisiana, is a component unit of the reporting entity. As required by generally accepted accounting principles, these financial statements present the primary government (the Village) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality are blended component units. For a component unit to be blended, the organization's board and the municipality must be substantively the same, or the organization must provide services entirely or almost entirely to the municipality.

Considered in the determination of component units of the reporting entity were Eighth Ward Fire Protection District No. 1 of Morehouse Parish, Louisiana. It was determined that this governmental entity is not a component unit of the Village's reporting entity.

The more significant of the Village's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information for the Village as a whole. The statements distinguish governmental activities, generally supported by taxes and other general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (a) charges for services which report fees, fines, and forfeitures, and other charges to users of the Village's services, and (b) operating grants and contributions which finance annual operating activities; and (c) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. All major governmental funds, the proprietary fund, and the other (non-major) governmental fund are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements:

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village's reporting entity applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassifications or elimination of internal activity (between or within funds). However, internal eliminations do not include services provided to Village departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual are ad valorem taxes, gross receipts taxes, sales taxes, intergovernmental revenues, and water and sewer fees. In general, other revenues are recognized when cash is received.

NOTES TO FINANCIAL STATEMENTS

Operating income reported in the proprietary fund financial statement includes revenues and expenses related to primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expense and depreciation of capital assets. Other revenues are classified as nonoperating in the financial statements.

Fund Types and Major Funds:

The Village reports the following major governmental funds:

General Fund - the general operating fund of the Village and accounts for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund - accounts for transactions relating to resources retained for the payment of principal, interest, and related costs of long-term debt obligations.

Sewer Construction Fund - accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

The Village reports the following major proprietary fund:

Water and Sewer Fund - accounts for operations where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges.

Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Water and Sewer Fund on March 17, 2004. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The Village Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Aldermen. The budgetary comparison schedule included as supplementary information in the accompanying financial statements includes the original budgeted amounts as no amendments were made to the budget during the fiscal year. All annual appropriations lapse at fiscal year end.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Certificate of Deposit:

Cash includes amounts in interest-bearing demand and time deposits. Under state law, the Village may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

State law and the Village's investment policy allow the Village to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

The certificate of deposit held by the Village is reported at cost, which approximates market value.

Receivables:

Significant receivables include ad valorem taxes and amounts due from customers for utility services. Un-billed utility service receivable resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are immaterial in amount and are not included in the amounts recorded as due from utility customers.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. Village management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Restricted Assets/Liabilities:

Meter deposits collected from utility customers are restricted to payment of amounts owed to the Village and/or refunded to the customer upon the customer no longer utilizing the system.

NOTES TO FINANCIAL STATEMENTS

Other cash amounts are restricted per bond ordinances or loan agreements for payments related to long-term obligations.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

Capital Assets and Depreciation:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water and sewer system), with useful lives of more than one year are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Streets	20 years
Buildings and building improvements	20 - 25 years
Machinery and equipment	5 - 10 years
Water and sewer system	10 - 25 years

Deferred Revenue:

The Village reports deferred revenue which arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

NOTES TO FINANCIAL STATEMENTS

Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance and based on length of continuous employment by the Village. Compensatory time is also granted to supervisory personnel in lieu of overtime pay. Employees may accumulate unused compensatory time up to 60 days with payment for unused compensatory time only being made upon the approval of the Mayor and Board of Aldermen.

No liability existed as of December 31, 2004 for unused vacation and compensatory time. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Compensated absences are paid from the fund responsible for the employee's compensation.

Long-Term Obligations:

In the government-wide financial statements, and the proprietary fund type in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Equity Classifications:

In the government-wide and proprietary fund financial statements, equity is classified as net assets and classified into three components:

1. Invested in capital assets - consists of capital assets net of accumulated depreciation.
2. Restricted - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law though constitutional provisions or enabling legislation.
3. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund balances are classified as reserved or unreserved with unreserved further classified as undesignated. Fund balance is reserved for amounts not available for appropriation or legally restricted for specified purposes.

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition - Ad Valorem and Sales/Use Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Village in September or October, are actually billed to the taxpayers in November, and are due and payable on or before January 1 of the following year. All unpaid taxes become delinquent on March 15 of the following year. The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish. The Village's ad valorem tax revenues are recognized as deferred revenue when levied.

Sales/use taxes collected and held by other governments at year end on behalf of the Village and those collected by other governments and remitted to the Village within 60 days after December 31 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the Village.

Note 2. Violation of Local Government Budget Act

The General Fund's budget was not timely amended for actual expenditures and other financing uses plus projected expenditures and other financing uses to year end exceeding budgeted expenditures and other financing uses by 5% or more. Actual expenditures and other financing uses of the General Fund of \$108,071 exceeded budgeted expenditures and other financing uses of \$73,670 by \$34,401 or 46.7%.

Note 3. Cash and Certificate of Deposit

As of December 31, 2004, the Village had cash and a certificate of deposit (book balances) as follows:

Non-pooled deposits:	
Non-interest bearing demand deposits	\$ 33,711
Interest bearing demand deposits	63,990
Time deposits	30,290
Certificate of deposit	<u>5,000</u>
	<u>\$ 132,991</u>

NOTES TO FINANCIAL STATEMENTS

The deposits are stated at cost, which approximates market. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held jointly in the name of the pledging fiscal agent bank and the Village in a holding or custodial bank that is mutually acceptable to both parties.

As of December 31, 2004, the Village had \$135,367 in deposits (collected bank balances). These deposits were secured from risk by \$133,711 of federal deposit insurance (GASB Category 1) and \$1,656 of pledged securities held by the Village or its agent in the Village's name (GASB Category 1).

There were no repurchase or reverse repurchase agreements as of December 31, 2004.

Note 4. Receivables

The following is a summary of receivables as of December 31, 2004:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Sewer Construction Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>
Taxes:					
Ad valorem	\$ 4,436	\$ 6,582	\$ -	\$ -	\$ 11,018
Sales	7,836	-	-	-	7,836
Franchise	1,056	-	-	-	1,056
Intergovernmental	-	-	3,150	-	3,150
Accounts	-	-	-	12,882	12,882
	<u>\$ 13,328</u>	<u>\$ 6,582</u>	<u>\$ 3,150</u>	<u>\$ 12,882</u>	<u>\$ 35,942</u>

Note 5. Ad Valorem and Sales Taxes

For the year ended December 31, 2004, ad valorem taxes of 17.52 mills were levied on property with assessed valuations totaling \$974,700 as follows:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General corporate purposes	7.22	7.08	Perpetual
Sewer debt service	5.67	5.22	2015
Sewer debt service	5.67	5.22	2015

NOTES TO FINANCIAL STATEMENTS

The following is the principal ad valorem taxpayer for the Village:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue</u>
Northeast Louisiana Telephone Co., Inc.	\$ 470,420	48.26%	\$ 8,242

Total ad valorem taxes levied were \$17,077. As of December 31, 2004, ad valorem taxes receivable was \$11,018.

For the year ended December 31, 2004, sales and use taxes of 2% were levied for any and all lawful municipal purposes. These taxes expire December 31, 2009.

Note 6. Interfund Receivables and Payables

As of December 31, 2004, the Water and Sewer Proprietary Fund owed the Debt Service Fund \$24,100. During 2004, restricted cash of \$21,700 of the Debt Service Fund was transferred to an operating account of the Water and Sewer Proprietary Fund. The majority of the outstanding balance is expected to be repaid within one year from the date of the financial statements.

Note 7. Restricted Assets and Liabilities Payable from Same

Restricted cash of \$21,457 and taxes receivable of \$6,582 recorded in the governmental activities consist of resources retained for the payment of principal, interest, and related costs of long-term debt obligations.

Restricted cash of \$8,074 of the business-type activities consists of meter deposits collected from utility customers. A liability of \$7,763 has been recorded for the payment of amounts owed by the Village and/or refunded to the customer upon the customer no longer utilizing the system.

The remaining restricted cash of \$57,314 recorded in the business-type activities consist of resources retained for the payment of principal, interest, and related costs of long-term debt obligations. The capital-related debt was included in the calculation of the net assets component of invested in capital assets.

Note 8. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2004, for the Village is as follows:

NOTES TO FINANCIAL STATEMENTS

	Balance January 1, 2004	Increases	Decreases	Balance December 31, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,650	\$ -	\$ -	\$ 3,650
Construction in progress	33,605	169,492	(203,097)	-
Total capital assets not being depreciated	<u>\$ 37,255</u>	<u>\$ 169,492</u>	<u>\$ (203,097)</u>	<u>\$ 3,650</u>
Capital assets being depreciated:				
Streets	\$ 29,451	\$ -	\$ -	\$ 29,451
Buildings	82,712	-	-	82,712
Building improvements	12,448	17,649	-	30,097
Machinery and equipment	58,123	34,487	-	92,610
Total capital assets being depreciated	<u>\$ 182,734</u>	<u>\$ 52,136</u>	<u>\$ -</u>	<u>\$ 234,870</u>
Less accumulated depreciation for:				
Streets	\$ 20,003	\$ 1,473	\$ -	\$ 21,476
Buildings	68,928	3,309	-	72,237
Building improvements	12,448	419	-	12,867
Machinery and equipment	39,550	9,054	-	48,604
Total accumulated depreciation	<u>\$ 140,929</u>	<u>\$ 14,255</u>	<u>\$ -</u>	<u>\$ 155,184</u>
Total capital assets being depreciated, net	<u>\$ 41,805</u>	<u>\$ 37,881</u>	<u>\$ -</u>	<u>\$ 79,686</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 5,500	\$ -	\$ -	\$ 5,500
Capital assets being depreciated:				
Water and sewer systems	\$ 1,834,899	\$ 217,633	\$ -	\$ 2,052,532
Less accumulated depreciation for:				
Water and sewer systems	<u>714,572</u>	<u>53,860</u>	<u>-</u>	<u>768,432</u>
Total business-type assets being depreciated, net	<u>\$ 1,120,327</u>	<u>\$ 163,773</u>	<u>\$ -</u>	<u>\$ 1,284,100</u>

NOTES TO FINANCIAL STATEMENTS

Depreciation expense of the governmental activities of \$14,255 is reported separately in the statement of activities in that the expense essentially serves all functions.

Note 9. Interfund Transfers

The following operating transfers were made during the year ended December 31, 2004:

Operating transfers in:	
Proprietary fund - Water and Sewer Fund	<u>\$ 2,676</u>
Operating transfers out:	
Governmental funds - General Fund	<u>\$ 2,676</u>

Note 10. Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended December 31, 2004:

	<u>Governmental Activities General Obligation Bonds</u>	<u>Business-Type Activities Revenue Bonds and Note</u>	<u>Totals</u>
Long-term debt payable - January 1, 2004	\$ 26,000	\$ 461,967	\$ 487,967
Retirements	<u>(2,000)</u>	<u>(8,037)</u>	<u>(10,037)</u>
Long-term debt payable - December 31, 2004	<u>\$ 24,000</u>	<u>\$ 453,930</u>	<u>\$ 477,930</u>

The bonds are comprised of the following individual issues:

General obligation bonds (two identical issues, each as follows):

\$34,000 Public Improvement Bonds - dated August 20, 1976, due in annual installments ranging from \$500 to \$1,000, bear interest at 5%, payable August 20 of each year.

All principal and interest requirements of the general obligation bonds are funded in accordance with Louisiana law by the annual ad valorem tax levy on taxable property within the Village. As of December 31, 2004, the Village had accumulated \$21,457 of cash in the Debt Service Fund for future debt requirements.

NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize the general obligation bonds outstanding as of December 31, 2004 are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2005	\$ 2,000	\$ 1,200	\$ 3,200
2006	2,000	1,100	3,100
2007	2,000	1,000	3,000
2008	2,000	900	2,900
2009	2,000	800	2,800
2010 - 2014	10,000	2,500	12,500
2015 - 2016	<u>4,000</u>	<u>300</u>	<u>4,300</u>
	<u>\$ 24,000</u>	<u>\$ 7,800</u>	<u>\$ 31,800</u>

Revenue bonds and note:

\$110,000 Water and Sewer Revenue Bonds - dated August 20, 1976, annual installments ranging from \$1,000 to \$6,000, bear interest at 5%, payable August 20 of each year.

\$411,000 Water Revenue Bonds, Series 2000 - dated September 27, 2000, monthly payments of \$1,866 beginning October 27, 2001, bear interest at 4.5%.

NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize the revenue bonds and note outstanding as of December 31, 2004, are as follows:

Year Ending December 31,	<u>\$110,000 Bonds</u>		<u>\$411,000 Note</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2005	\$ 4,000	\$ 2,850	\$ 4,603	\$ 17,788	\$ 29,241
2006	4,000	2,650	4,814	17,577	29,041
2007	4,000	2,450	5,035	17,356	28,841
2008	4,000	2,250	5,267	17,125	28,642
2009	4,000	2,050	5,509	16,883	28,442
2010 - 2014	25,000	6,750	31,580	80,376	143,706
2015 - 2019	12,000	900	39,532	72,424	124,856
2020 - 2024	-	-	49,486	62,470	111,956
2025 - 2029	-	-	61,947	50,009	111,956
2030 - 2034	-	-	77,544	34,412	111,956
2035 - 2039	-	-	97,070	14,886	111,956
2040	-	-	14,543	260	14,803
	<u>\$ 57,000</u>	<u>\$ 19,900</u>	<u>\$ 396,930</u>	<u>\$ 401,566</u>	<u>\$ 875,396</u>

The revenue bonds and note payable will be liquidated by liens on and pledges of the Village's water and sewer revenues.

The Village incurred \$22,703 of interest costs during the year ended December 31, 2004. \$1,300 was charged as interest expense in the Debt Service Fund and \$19,352 in the Water and Sewer Proprietary Fund.

Note 11. Fund Balance - Reserved (Balance Sheet - Governmental Funds)

The general obligation bond ordinances require that the excess of assets over liabilities in the Debt Service Fund be restricted for future debt service requirements.

Note 12. Restricted Net Assets (Statement of Net Assets - Proprietary Fund)

The excess assets available for payment of liabilities associated with long-term debt obligations has been reserved.

Note 13. On-Behalf Payment for Salaries

For the year ended December 31, 2004, the Village recognized revenues and expenditures of \$3,800 in salary supplements from State of Louisiana paid directly to the police chief.

NOTES TO FINANCIAL STATEMENTS

Note 14. Contingencies and Risk Management

The Village participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Village has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Village management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for all risks of loss, including workers' compensation. Settlement amounts have not exceeded insurance coverage for the current year or three prior fiscal year.

Note 15. Subsequent Event

On April 9, 2005, the Village's principal ad valorem taxpayer voluntarily filed for bankruptcy pursuant to Chapter 11 of Title 11 of the United States Code and has continued its operations as a debtor in possession. As of the date of this report, the debtor has been granted a 60 day extension to propose a feasible plan of reorganization.

Also, as of the date of this report, the debtor owed the Village approximately \$8,000 for the 2004 ad valorem tax levy and \$600 for 2004 franchise taxes.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

VILLAGE OF COLLINSTON, LOUISIANA

BUDGETARY COMPARISON SCHEDULE -
GOVERNMENTAL FUND - GENERAL FUND
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 36,680	\$ 36,680	\$ 62,332	\$ 25,652
Licenses and permits	23,000	23,000	18,921	(4,079)
Intergovernmental	1,000	1,000	19,658	18,658
Fines and forfeitures	1,280	1,280	11,255	9,975
Charges for services	4,000	4,000	5,500	1,500
Interest and miscellaneous	720	720	656	(64)
	<u>\$ 66,680</u>	<u>\$ 66,680</u>	<u>\$ 118,322</u>	<u>\$ 51,642</u>
Expenditures:				
Current:				
General government	\$ 54,620	\$ 54,620	\$ 52,550	\$ 2,070
Public safety	15,050	15,050	35,196	(20,146)
Capital outlay	4,000	4,000	17,649	(13,649)
	<u>\$ 73,670</u>	<u>\$ 73,670</u>	<u>\$ 105,395</u>	<u>\$ (31,725)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (6,990)</u>	<u>\$ (6,990)</u>	<u>\$ 12,927</u>	<u>\$ 19,917</u>
Other financing sources (uses):				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>(2,676)</u>	<u>(2,676)</u>
Net change in fund balances	<u>\$ (6,990)</u>	<u>\$ (6,990)</u>	<u>\$ 10,251</u>	<u>\$ 17,241</u>
Fund balances - beginning	<u>6,990</u>	<u>6,990</u>	<u>15,992</u>	<u>9,002</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,243</u>	<u>\$ 26,243</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF COLLINSTON, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION
For the Year Ended December 31, 2004

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the board members is included in the general government expenditures of the General Fund.

<u>Name and Title</u>	<u>Compensation</u>
James Fontenot, Mayor	\$ 1,500
Sandra Morgan, Alderman	1,200
Bobby Kelly, Alderman	1,200
Betty Jones, Alderman	1,000
Edward Jones, Alderman	<u>200</u>
Total compensation	\$ <u>5,100</u>

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable James Fontenot, Mayor,
and Members of the Board of Aldermen
Village of Collinston, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Collinston, Louisiana (the "Village"), as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-5, and 2004-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2004-1 to be a material weakness.

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We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated August 30, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2004-2, 2004-3, 2004-4, and 2004-7. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 30, 2005.

This report is intended solely for the information and use of management, others within the organization, Board of Aldermen, federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

s\HILL, INZINA & CO.

August 30, 2005

VILLAGE OF COLLINSTON, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
For the Year Ended December 31, 2004

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Collinston, Louisiana (the "Village"), as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2004 resulted in an unqualified opinion.

Section I - Summary of Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Internal Control

Material Weaknesses ☒ Yes ☐ No Reportable Conditions ☒ Yes ☐ No

Compliance

Material to Financial Statements ☒ Yes ☐ No

Section II - Financial Statement Findings

2004-1 Inadequate Segregation of Duties (finding was initially cited in Village's audit as of and for the year ended December 31, 1994)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic and space limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

2004-2 Noncompliance with Local Government Budget Act (findings applicable to each year's budget have been cited in Village's annual audits since year ended December 31, 2001)

Criteria:

The Local Government Budget Act requires that the chief executive officer or equivalent notify in writing the governing authority during the year when actual receipts and other financing sources plus projected revenue collections and other financing sources for the year fail to meet budgeted revenues and other financing sources by 5% or more, or when actual expenditures and other financing uses plus projected expenditures and other financing uses to year end exceed budgeted expenditures and other financing uses by 5% or more.

Also, LSA-RS 39:1305 requires that the proposed budget include a budget message and a budget adoption instrument that specifies the chief executive's authority to make budgetary amendments without approval of the governing authority. Pursuant to LSA-RS 39:1306, the proposed budget is to be submitted to the governing authority at least 15 days prior to the beginning of the budget year.

Condition:

Actual expenditures and other financing uses of the General Fund of \$108,071 exceeded budgeted expenditures and other financing uses of \$76,670 by \$34,401 or 46.7%.

The Village's budget for the General Fund for the year ended December 31, 2004 did not include a budget message, was not accompanied by a budget adoption instrument, and was not formally adopted until March 17, 2004.

Cause:

The budget of the General Fund was not monitored and amended nor was it timely adopted and accompanied by the appropriate documents.

Effect:

The Village is in violation of the Local Government Budget Act and revised statutes.

Recommendation: The chief executive officer or equivalent should notify the governing authority in writing during the year when actual expenditures and other financing uses plus projected expenditures and other financing uses to year end exceed budgeted expenditures and other financing uses by 5% or more. The governing authority should amend the budget when notified.

Also, the proposed budget should include a budget message and a budget adoption instrument, and be timely adopted.

**Management's
response and
planned cor-
rective action:**

The chief executive officer concurs with the finding and will periodically monitor the budget and notify the governing authority in writing as amendments are required. Each budget will include a budget message and a budget adoption instrument, and be timely adopted.

2004-3 Debt Service Fund Transactions (initial citing)

Criteria: Collections and expenditures of revenues should be restricted to amounts authorized by tax propositions.

Condition: During the year ended December 31, 2004, \$21,700 of Debt Service Funds, restricted for the payment of principal, interest, and related costs of long-term debt obligations, was transferred to a general operating account of the Water and Sewer Proprietary Fund.

As of December 31, 2004, the Debt Service Fund had a reserved fund balance of \$41,963 available to pay off all of the fund's existing long-term debt obligations totaling \$24,000.

Cause: The Village was advised that the transfer of Debt Service Fund revenues to another fund's general operating account was permissible by an agent of the United States Department of Agriculture.

The Village has not limited the tax levy to only that amount required annually to service the debt. Approximately \$10,000 of ad valorem taxes, restricted for payment of long-term debt obligations, are being collected annually with the annual debt service requirements only being approximately \$3,500.

Effect: The Village has levied and collected excess restricted revenues.

Recommendation: Funds should be repaid from the Water and Sewer Proprietary Fund to the Debt Service Fund immediately. Legal counsel should be consulted as to the full repayment of the long-term debt obligation and then to the feasibility of refunding the excess collections or using the excess for other purposes related to the original tax levy.

**Management's
response and
planned cor-**

rective action: We concur in the finding and management will consult the Village's legal counsel.

2004-4 **Asset Management** (finding was initially cited in Village's audit as of and for the year ended December 31, 1994)

Criteria: LSA-RS 24:515 and /or 39:321-332, as applicable, require that the Village maintain records of its capital assets and movable property.

Condition: The Village has a partial inventory of capital assets and movable property but such inventory is not complete and does not include all of the required data (serial number, date acquired, cost, disposition, etc.)

Cause: Sufficient time has not been taken to complete the records.

Effect: Assets of the Village are susceptible to being lost, stolen, misplaced, etc.

Recommendation: Time should be taken and a responsible party assigned to completing the inventory records.

**Management's
response and
planned cor-**

rective action: We concur in the finding and will assign a responsible party to complete the inventory records and update as assets are acquired.

2004-5 Internal Control Over Cash Disbursements (finding was initially cited in Legislative Auditor's 2003 limited controls review)

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization.

Condition: Five disbursements examined (totaling \$1,904) of a total of 50 disbursements examined (10%) (totaling \$16,068) were not adequately supported by original invoices or other documentation.

Eight disbursements examined (totaling \$2,226) of a total of 50 disbursements examined (16%) (totaling \$16,068) had no supporting documentation as to the Village actually receiving the goods and/or services.

Four disbursements examined (totaling \$970) of a total of 11 disbursements examined (36%) (totaling \$3,762) for which purchase orders should have been issued did not have purchase orders issued or purchase orders were dated after the date goods were received and/or services rendered.

Five disbursements examined (totaling \$1,690) of a total of 50 disbursements examined (10%) (totaling \$16,068) were improperly charged to the most appropriate account.

Cause: Employees of the Village have not accepted the value of such internal control procedures.

Effect: The failure to adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorization.

Recommendation: Adequate supporting documentation (original invoices, evidence of receipt, issuance or purchase orders) should be obtained prior to the disbursement of cash and such documentation retained accordingly. Such cash transactions should be properly accounted for and charged to the most appropriate account.

Management's
response and
planned cor-
rective action:

We concur in the finding and will address these matters with all employees of the Village.

2004-6 Improved Controls over Personnel Records (finding was initially cited in Legislative Auditor's 2003 limited controls review)

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that personnel records provide accurate and current information.

Condition: Examination of the personnel file of an employee hired by the Village in 2004 revealed no federal and state withholding certificates, documentation as to the employee's approved pay rate, completed employee application, nor an Internal Revenue Service Form I-9.

Cause: Employees of the Village have not accepted the value of such internal control procedures.

Effect: The failure to establish and adhere to internal controls over personnel could result in transactions that are not in accordance with management's and employee's authorizations.

Recommendation: Each employee of the Village should have a personnel file that contains current and accurate information as required.

Management's
response and
planned cor-
rective action:

We concur in the finding and personnel procedures will be implemented.

2004-7 Untimely Completion and Submission (initial citing)

Criteria: Pursuant to Louisiana Revised Statutes 24:513 and 24:514, all annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.

Condition: The Village's annual audit as of and for the year ended December 31, 2004 was not submitted to the Legislative Auditor within six months of the end of the fiscal year.

Cause: All of the Village's financial records and relevant audit data were not made available to the auditor in a timely manner for the annual audit to be completed and submitted within the required time frame.

Effect: The Village is in violation of the statutes.

Recommendation: Accurate financial records of the City should be maintained and available in a timely manner that will allow completion and submission of the annual audits.

Management's response and planned corrective action: Accurate financial records will be maintained and made available for timely completion and submission of future annual audits.

VILLAGE OF COLLINSTON

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2004

Section I - Internal Control and Compliance Material to Financial Statements

2003-1 Failure to Maintain Capital Asset Records Unresolved - 2004-4.

The Village had a partial inventory of capital assets and moveable property but such inventory was not complete and did not include all of the required data.

2003-2 Noncompliance with Local Government Budget Act Unresolved - 2004-2.

The Village's budget document for the year ended December 31, 2003 did not include a budget message nor a budget adoption instrument.

2003-3 Inadequate Segregation of Duties Unresolved - 2004-1.

The segregation of duties is inadequate to provide effective internal control.

2003-4 Improved Controls over Customers' Meter Deposits Resolved.

The Village's only documentation for customers' meter deposits was a handwritten listing that did not include every customer that had paid a deposit.

2003-5 Improved Controls over Cash Receipts and Disbursements Partially resolved - 2004-5.

Deficiencies existed in internal controls over cash receipts and disbursements.

Section II - Management Letter

None issued.

HILL, INZINA & COMPANY

Honorable James Fontenot, Mayor,
and Members of the Board of Aldermen
Village of Collinston, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Collinston, Louisiana (the "Village"), as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of our examination, we have issued our report on internal control and compliance with laws, regulations, contracts, and grants dated August 30, 2005.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal control.

2004-1 Official Proceedings

Criteria: Pursuant to LSA-RS 43:143-144 and Attorney General Opinion 82-383, minutes, ordinances, resolutions, budgets, and other official proceedings of the Village are to be published in the official journal. Minutes should be transcribed to include all formal action taken by the Board of Aldermen, signed by the party responsible for the transcription, and retained in the official minute book.

Condition: Minutes of special called meetings held in 2004 were not published in the official journal, were not transcribed on the preprinted form normally utilized by the clerk, and were not signed by the party responsible for taking the minutes. Minutes of one special meeting were not dated and minutes of another meeting did not include all of the formal action taken by the Board of Aldermen. While performing audit procedures and inquiring of management as to the Board of Aldermen's action concerning various matters, minutes were not available in the official minute book but were provided at a later date by the Mayor.

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Cause: Management of the Village has been lax in ensuring that all formal actions taken by the Board of Aldermen have been adequately transcribed, retained, and published.

Effect: The failure to adhere to the statutes and policies could result in actions or transactions occurring that are not in accordance with management's authorization.

Recommendation: All formal actions taken by the Board of Aldermen should be adequately transcribed, retained, and published.

Management's response and planned corrective action: We concur in the finding and will adhere to the statutes and policies.

2004-2 Compensation and Payroll Related Matters

Criteria: The Internal Revenue Service requires annual reporting of compensation of \$600 or more for services performed by a nonemployee.

According to the Internal Revenue Service, generally, a worker who performs services is an employee if the engaging party has the right to control what will be done and how it will be done.

Pursuant to LSA-RS 2218.4, the Village has the responsibility to include the supplemental pay, paid by the state to police officers, in the calculation and deduction from the pay of such officers the sums required by state or federal law to be withheld. Also, the Village is required to transmit the withholdings in accordance with the law(s) requiring the withholding.

During the year ended December 31, 2004, the Village paid to the state assessments for state withheld income tax and penalties and interest for non-reporting when in fact the Village's employees had no state income tax withheld in 2004.

As part of the police chief's compensation, the Board of Aldermen agreed to pay his monthly health insurance premium. Originally, the insurance was obtained by and reimbursed to the parish sheriff. During 2004, the policy obtained by the parish sheriff was canceled and the chief obtained his own personal policy for which the Village reimburses him \$229 monthly.

Condition: Annual reporting was not made for the nonemployee compensation of \$600 or more paid to the Mayor and Board of Aldermen in 2004.

During 2004, off-duty officers of the parish sheriff's department were paid and the annual reporting was made as contract laborers for patrolling at hours specified by the Village's management and in a patrol car provided by and for which fuel was provided by the Village.

During 2004, the Village did not include all supplemental pay received directly from the state by its police chief in the calculation and deduction from the chief's pay the sums required by state or federal law to be withheld. Therefore, the amounts reported and transmitted in accordance with the law(s) requiring the withholdings were inadequate.

For 2004 payroll of the Village, the Village paid to the state assessments for state withheld income tax and penalties and interest for non-reporting when in fact the Village's employees had no state income tax withheld in 2004.

Village's management has not requested supporting documentation from the police chief as to whether the monthly reimbursement is actually for the correct amount and the agreed-upon coverage.

Cause: Management was not aware of these requirements related to reporting supplemental, employee, and nonemployee compensation, and withholdings. The Village has not been in compliance with these requirements since the Village ceased using an outside payroll service at the end of 2003.

Management has not realized the importance of obtaining and retaining adequate supporting documentation for all cash disbursements.

Effect: The Village is in violation of the reporting, withholding, and transmittal requirements. Lack of supporting documentation for any cash disbursement could result in a loss of assets from unauthorized use or disposition and/or from transactions that are not in accordance with management's authorizations.

Recommendation: Annual reporting should be made for nonemployee compensation of \$600 or more paid to the Mayor and Board of Aldermen. Workers who perform services for the Village should be considered as employees versus contract labor when the Village has the right to

control what will be done and how it will be done. Supplemental pay received directly from the state by its police officer should be included in the calculation and deduction from the officer's pay, correctly reported, and such withholdings transmitted. Only income tax amounts withheld from employee should be transmitted to the state. Supporting documentation should be obtained from the police chief for the monthly reimbursement being paid to him by the Village for his personal health insurance premium.

Management's
response and
planned cor-
rective action:

We concur in the findings. We have begun properly accounting for and reporting the state supplemental pay, workers as employees versus contract laborers, and state income taxes withheld. For 2005, the annual reporting for nonemployee compensation will be made. Supporting documentation will be required of the police chief before further monthly reimbursements are paid.

2004-3 Improved Controls over Financial Records, Reporting, and Monitoring

Criteria:

Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that financial records of the Village provide accurate and useful information.

The Village's policy adopted relating to budget procedures states that the budget will be monitored monthly.

Condition:

During the year ended December 31, 2004, payees were not input for all cash disbursements; therefore, making it time costly to trace the entry to the check stub and then to the related supporting documents. Several of the last months' receipts and disbursements were charged to miscellaneous accounts resulting in several adjusting entries having to be made to reclassify postings to more appropriate accounts. Even though only a few transactions for the year ended December 31, 2004 occurred in the Capital Projects Fund related to an ongoing fire project, none were posted to the accounting records. Transactions of the Debt Service Fund for the year ended December 31, 2004 were posted in the Enterprise Fund; again, making it time costly to determine those transactions of the Debt Service Fund and making adjusting entries to properly record the year-to-date activity in the appropriate fund.

Upon initial request by the auditor for a copy of the budget(s) adopted by the Board of Aldermen for the year ended December 31, 2004, the Mayor responded that he knew budgets were adopted but could not make copies readily available. At a later date, the copies were provided by the Clerk. It is not feasible that the budgets were being monitored on a monthly basis pursuant to the stated policy when no budget copies were readily available. Year-end budgetary comparisons reflect that such budgets were not appropriately and timely monitored and amended.

Cause: Village's management hired an outside accounting service to maintain the accounting records that was not familiar with the uniqueness of governmental accounting.

Management of the Village did not monitor the budgets pursuant to the stated policy and upon inquiry of the Mayor, operated based on cash inflows/outflows.

Effect: Additional costs will be incurred by the Village due to the additional time expended to verify the accounting records presented for audit purposes.

Not monitoring the budgets could result in a loss of assets from unauthorized use or disposition and/or from transactions that are not in accordance with management's authorization. Also, the Village is susceptible to violating the Local Government Budget Act.

Recommendation: Management should employ a person or contract with an outside accounting service, both of which are familiar with the uniqueness of governmental accounting, to provide reasonable assurance that financial records of the Village provide accurate and useful information.

The budgets should be monitored and amended, as necessary, pursuant to the Local Government Budget Act and the Village's stated policy.

**Management's
response and
planned cor-
rective action:**

We concur in the findings and will make provisions for the maintenance of accurate and useful financial records. Budgets will be monitored and amended, as necessary, pursuant to state statutes and the Village's stated policy.

2004-4 Delinquency of Utility Accounts

Criteria: Management's policy states that customers' utility services will be discontinued for lack of payment according to the provisions of the policy.

Condition: As of December 31, 2004, accounts receivable related to utility services was \$12,882 compared to \$9,073 as of December 31, 2003. Of the December 31, 2004 balance, \$5,217, or 40%, were in arrear.

Cause: Village management has not adhered to the stated policy.

Effect: Village funds are susceptible to being uncollected if customers terminate their utility service and their meter deposits are not adequate to cover outstanding balances.

Recommendation: The Village's stated policy should be adhered to and enforced on a regular basis.

Management's response and planned corrective action: We concur in the finding. The majority of the accounts in arrear as of December 31, 2004 were collected in the subsequent month.

We recommend that management address the foregoing issues as improvements to operations and the administration of public programs. We are available to further explain the suggestions or to help implement the recommendations.

s/HILL, INZINA & CO.

August 30, 2005